

Message Text

SECRET

PAGE 01 CAIRO 10984 01 OF 03 011052Z
ACTION SS-25

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R 010909Z JUL 77
FM AMEMBASSY CAIRO
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INFO AMEMBASSY ABU DHABI
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AMCONSUL ALEXANDRIA
AMEMBASSY AMMAN
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AMEMBASSY DAMASCUS
AMEMBASSY DJIBOUTI
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MOGADISCIO
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY TEL AVIV
USMISSION SINAI
AMEMBASSY TRIPOLI

S E C R E T SECTION 1 OF 3 CAIRO 10984

EXDIS

DEPT PASS USIA; ALSO DIA AND USCINCEUR VAIHINGEN GE/EC J-2
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EO 11652: GDS
TAGS: PINT, EG
SUBJ: QUARTERLY POLITICAL ASSESSMENT: APRIL 1-JUNE 30, 1977
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PAGE 02 CAIRO 10984 01 OF 03 011052Z

REF CAIRO 5417 (NOTAL)

SUMMARY: SADAT'S MEETING IN APRIL WITH PRES CARTER, EAGERLY
ANTICIPATED BY GOE, WAS HIGHLIGHT OF QUARTER. VISIT WAS
CONSIDERED SUCCESS, WITH PRES CARTER CONVEYING SENSE OF CON-
FIDENCE AND DETERMINATION WHICH EGYPTIANS HAVE YARED FOR.

MODEST PROGRESS ON "NORMALIZATION" OCCURRED IMMEDIATELY, WITH SADAT DROPPING STANDARD "NEXT GENERATION" PHRASEOLOGY. SUBSEQUENTLY, EGYPTIANS, EVER SENSITIVE TO REAL OR IMAGINED THREATS TO THEIR AREA LEADERSHIP, EXPERIENCED UNEASINESS ABOUT ALLEGATIONS THAT ASAD RECEIVING SPECIAL TREATMENT AND THAT LATTER'S RELATIVELY TOUGH NEGOTIATING STYLE MIGHT INDUCE USG TO TAKE SADAT "FOR GRANTED". ADVENT OF BEGIN SEEN MORE AS PROBLEM FOR US THAN FOR ARABS, THOUGH SADAT WORRIES LIKUD REACTION TO USG PRESSURE LIKELY BE PREEMPTIVE STRATEGY, PERHAPS IN SOUTH LEBANON, TO DISRUPT PEACE PROCESS. SOVIET IMPERIALISM IN AFRICA WAS REGARDED AS IMMEDIATE THREAT TO NATIONAL SECURITY. GOE ACCORDINGLY URGED USG CONFRONT SOVIETS MORE ACTIVELY AND ITSELF PROVIDED SUPPORT TO SUDAN, ZAIRE, SOMALIA, CHAD AND ERITREAN SECESSIONISTS. SOVIET DEMARCHE ON LIBYA INFURIATED EGYPTIANS BUT, WHEN SOVIETS "WITHDREW" THEIR "THREAT", FAHMY/GROMYKO MEETING WAS ARRANGED. HOWEVER, MOSCOW DISCUSSIONS LIKELY BE DEADENED SINCE EGYPTIANS REJECT CONFIDENTIAL SOVIET DEMAND FOR NEW BILATERAL POLITICAL AGREEMENT. INTERNALLY, SADAT PRESSED HARD FOR ENACTMENT LEGISLATIVE FRAMEWORK FOR HIS "DEMOCRATIC SOCIALISM" IN NEW "STATE OF INSTITUTIONS", LAW PERMITTING FORMATION NEW PARTIES WAS PASSED. PRESIDENT, WHO TENDS VIEW ALL PUBLIC ISSUES IN POLITICAL TERMS, TOOK ACTIVIST APPROACH TO NECESSITY ECONOMIC REFORM. END SUMMARY

PART I. FOREIGN AFFAIRS

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SECRET

PAGE 03 CAIRO 10984 01 OF 03 011052Z

1. A. US/EGYPTIAN RELATIONS

QUARTER'S HIGHLIGHT WAS SADAT'S APRIL 3-6 WASHINGTON VISIT FOR TALKS WITH CARTER. SADAT ADJUDGED VISIT A COMPLETE SUCCESS. US PRESIDENT'S INTEREST AND FAIRNESS DEEPLY IMPRESSED HIM AND HE QUICKLY DEVELOPED STRONG SENSE OF CONFIDENCE IN ADMINISTRATION'S DETERMINATION MOVE FORWARD ON ME PEACE. THOUGH EGYPTIANS FOUND CARTER VIEWS ON BOUNDARIES AND PALESTINIANS GENERALLY CONGENIAL, THEY WERE SLIGHTLY TAKEN ABACK AT PRESIDENT'S INSISTENCE ON NEED TO NORMALIZE RELATIONS AS CRITICAL FACTOR OF ANY PEACE SETTLEMENT. SUBJECT HAD HERETOFORE BEEN CONVENIENTLY IGNORED BY EGYPTIANS, WHO MUST NOW FOCUS ON IT. BY END OF VISIT, MODES PROGRESS MADE: SADAT DROPPED PREVIOUS PHRASEOLOGY THAT NORMALIZATION MUST BE DETERMINED BY NEXT GENERATION AND PUBLICLY SPOKE OF MOVEMENT ALONG THESE LINES WITHIN FIVE YEARS AFTER PEACE AGREEMENT SIGNED. IN CONTRAST, FAHMY STILL OBJECTS TO THIS ELEMENT OF PEACE QUATION.

2. REST OF QUARTER WAS LARGELY ONE OF MARKING TIME. AS PROCESSION OF ARAB LEADERS JOURNEYED TO WASHINGTON, TWINGE OF JEALOUSY WAS FELT BY GOE AT WHAT IT PERCEIVED TO BE SPECIAL

TREATMENT FOR ASAD, WHOM US PRES TRAVELED TO GENEVA TO MEET. EVER SENSITIVE TO ANY REAL OR IMAGINED SLIGHTS TO SELF-PROCLAIMED ARAB LEADERSHIP ROLE, SOME SENIOR GOE PRESIDENTIAL ADVISORS SAW GENEVA CONCLAVE AS EVIDENCE USG TAKING SADAT TOO MUCH FOR GRANTED. MORE RIGID POSITION A LA ASAD, THEY ARGUED, WOULD PRODUCE GREATER USG ATTENTION GOE VIEWS. SADAT HAS THUS FAR RESISTED SUCH URGINGS.

3. AFRICAN PROBELMS FIGURED MORE PROMINENTLY THAN USUAL IN US/EGYPTIAN DIALOGUE. VIEWING QADHFAI AS SOVIET SURROGATE, GOE HARBORS PERSISTENT MISGIVINGS THAT USG "SOFT" ON QADHAFI AND COVERTLY SEEKS TO PROTECT HIM. SOVIET ACTIVITIES IN OTHER PARTS OF AFRICA WERE ALSO RAISED, NOTABLY IN ZAIRE, ETHIOPIA AND SOMALIA; THRUST OF GOE CONTENTION IS USG NEEDS DEVELOP
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SECRET

PAGE 04 CAIRO 10984 01 OF 03 011052Z

STRONGER POLICY TO MEET SOVIET THREATS TO MODERATE AFRICAN REGIMES. GOE GRATIFIED AT OUR WILLINGNESS STRENGTHEN RELATIONS WITH SOMALIA BY PROVIDING ECONOMIC AID, BUT WOULD ALSO LIKE TANGIBLE SUPPORT FOR GOE EFFORTS TO CONTAIN SOVIET ACTIVITIES THROUGHOUT AFRICA.

4. ISRAELI ELECTORAL RESULTS DISTURBED GOE. SADAT PUBLICLY SOUGHT TO MAKE BEST OF BEGIN VICOTRY BY CONTENDING THERE NO ESSENTIAL DIFFERENCE BETWEEN LIKUD AND ALIGNMENT AND PUBLICLY KEEPING HIS COOL. PRIVATELY, BEGIN'S INITIAL HARDLINE POLICY PRONOUNCEMENTS CREATED PESSIMISM HERE. GOE REACTION WAS PREDICTABLE: PROBLEM BASICALLY ONE FOR USG, WHICH HOLDS MOST OF CARDS, TO SOLVE. US "VISUALIZATION" OF PEACE SETTLEMENT, EGYPTIANS CONTEND, NOW EVEN MORE ESSENTIAL IF MOMENTUM FOR PEACE TO BE REGAINED. WASHINGTON STATEMENTS, SUCH AS VP MONDALE'S ADDRESS AND TEXT JUNE 27 PRESS STATEMENT, WERE CAREFULLY SCRUTINIZED TO ASCERTAIN ANY SIGNS OF ADMINISTRATION'S BOWING TO ISREALI OR DOMESTIC PRESSURES. EXCEPT OF CONCERN OVER LATEST ARMS ANNOUNCEMENT FOR ISREAL AND USG INSISTANCE ON NORMALIZATION OF RELATIONS AS KEY INGREDIENT TO PEACE, GOE--EXCEPT FOR FAHMY--REMAINS GRATIFIED AT FIRM POSITION ADMINISTRATION HAS TAKEN. WITH PEACE PROCESS TEMPORARILY STAGNANT AND BEGIN ELECTORAL VICTORY, A CERTAIN RESTLESSNESS PERVADES EGYPTIAN SOCIETY. WILL PEACE PROCESS GET UNDERWAY AGAIN OR BE FURTHER DELAYED IS QUESTION ON EVERYONE'S LIPS. PERIOD AHEAD WILL BE CRITICAL AS GOE ANXIOUSLY AWAITS SECRETARY'S RETURN TO THE AREA, HOPEFULLY AS PRELUDE TO RECONVENING GENEVA CONF.

NOTE BY OC/T: NOT PASSED USIA, DIA AND USCINCEUR.

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PAGE 01 CAIRO 10984 02 OF 03 011330Z
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S E C R E T SECTION 2 OF 3 CAIRO 10984

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PAGE 02 CAIRO 10984 02 OF 03 011330Z

5. FOR IMMEDIATE FUTURE, SADAT IS WORRIED THAT LIKUD, ES-
PECIALLY WEIZMAN, MAY DECIDE PREEMPT ON SOME ARAB FRONT IN ORDER
DISRUPT PEACE PROCESS. THIS CONCERN IS ACUTE IN MFA AND HAS
BEEN REFLECTED IN NEWSPAPER COMMENTARIES, ESPECIALLY IN RELATION

TO SOUTH LEBANON, WHERE EGYPTIANS BELIEVE ISRAELIS DELIBERATELY KEEPING POT BOILING FOR USE AS LAST RESORT, SHOULD USG APPEAR TO BE SUCCEEDING IN "IMPOSING" A PEACE ON BOTH ARAB AND ISREALI SIDES.

6. VISITS BY SEN STONE AND AID ADM GILLIGAN WERE HELPFUL AND GOE FOR FIRST TIME IN MANY YEARS HOSTED USN AIRCRAFT CARRIER AS PORT OF RESUMED NAVAL VISITATION PROGRAM.

7. SOVIET/EGYPTIAN RELATIONS. THROUGHOUT QUARTER, SADAT RARELY MUTED HIS PERSONAL HOSTILITY TO SOVIETS ("THEY ARE OUT TO GET MY NECK"--TO CODEL JUN E8), BUT HIS FONMIN MOUNTED SPORADIC EFFORTS KEEP RELATIONS "CORRECT" HOPING FOR SOME PROGRESS ON SPARE PARTS AND DEBT ISSUES AND SEEKING ENSURE MINIMUM OF USSR/EGYPTIAN ANTAGONISM AT MEPC. FAHMY, HOWEVER, WAS OUTRAGED BY STIFF SOVIET WARNING DELIVERED LATE APRIL TO SOME ARAB CAPITALS (BUT NOT CAIRO) AGAINST ANY EGYPTIAN "MILITARY ADVENTURE" IN LIBYA. AGAINST BACKDROP VICIOUS EGYPTIAN PROPAGANDA CAMPAIGN, FAHMY HAD SERIES OF ANGR EXCHANGES WITH SOV AMB, RESULTING IN SOVIET WITHDRAWAL OF NOTE AND AGREEMENT FOR GROMYKO/FAHMY TOUR D'HORIZON. THIS DIP "VICTORY" PRIVATELY ASCRIBED BY FAHMY TO HIS THREAT TO BLOCK SOVIET PARTICIPATION IN ME DIPLOMACY BY SHIFTING ARAB PEACE EFFORTS AWAY FROM MEPC.

8. IN SUBSEQUENT MOSCOW MEETING JUNE 8-9, EXCHANGES WERE FRANK BUT SOVIETS PRESENTED UNACCEPTABLY DEMAND; I.E., EGYPTIAN ACCESSION TO WHAT SADAT INTERPRETS AS NEW "TREATY". SOVIETS ALLEGEDLY PROMISED PROVIDE COKING COAL AND RETURN OVERHAULED
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PAGE 03 CAIRO 10984 02 OF 03 011330Z

MIG ENGINES, BUT MFA DOUBTS PROMISES WILL BE KEPT BEFORE FAHMY/GROMYKO RETURN ENGAGEMENT IN CAIRO, PERHAPS IN AUG. OVERT RELATIONS ARE NOW "CORRECT" BUT EGYPTIANS PRESS AND SADAT CONTINUE AIR SUSPICIONS WHICH LIKELY TURN NASTY IF SOVIET "TREATY" CONDITION LEAKS.

9. C. LIBYA, SUDAN AND THE HORN

FOR GOE, SOVIET ".8.0348-)8 ." IN AFRICA AND ACTIVITIES OF CUBAN/LIBYAN/EGHIOPIAN "SURROGATES" CONSTITUTE GRAVE NATIONAL SECURITY THREAT. EGYPTIANS ARE CONVINCED SUBSTANTIAL NUMBERS OF CUBAN MILITARY EXPERTS ARE IN PLACE IN ANGOLA, LIBYA AND ETHIOPIA, WORKING UNDER KREMLIN ORDERS AND FINANCED BY QADHAFI. ACCORDINGLY, GOE CREATED NUMEROUS PUBLIC OCCASIONS UNDERLINE DETERMINATION DEFEND NUMAYRI (IF NECESSARY WITH EGYPTIAN TROOPS), PROVIDED PILOTS AND MED MISSION TO MUBUTO FOR SHBA, SENT MILITARY EQUIPMENT TO SOMALIA AND TO ERITREANS (VIA KHARTOUM), SENT JOINT EGYPTIAN/SUDANESE MIL MISSION TO CHAD, AND UNDERSCORED SUPPORT FOR DJIBOUTI BY SENDING AMB-

ESIGNATE TO INDEPENDENCE CELEBRATIONS. GOE EXHORTED USG ACT ON ALL POSSIBLE FRONTS TO CONFRONT SOVIET ENCROACHMENTS AND WORRIED WE UNDERESTIMATE DANGER POSED BY QADHAFI.

10. EGYPTIANS BELIEVE QADHAFI INCORRIGIBLE TERRORIST, ERRATIC (SADAT: "HOPELESS, MADMAN...NEVER KEEPS HIS WORD") AND ON VERGE OF BECOMING POWERLESS SOVIET PUPPET. HE CAN, HOWEVER, STILL BE FACED DOWN, EGYPTIANS ARGUE, CITING HIS IMMEDIATE CAVEIN WHEN GOE SLAPPED EXIT BAN ON ALL LIBYAN NATIONALS AFTER QADHAFI RAIDED, MANHANDLED AND DETAINED EGYPT'S BENGHAZI CONSULAR STAFF IN MID APRIL. EFFORTS ON PART VARIOUS PARTIES MEDIATE EGYPTIAN/LIBYAN DISPUTE FOUNDERED AND AT QUARTER'S END MINOR SKIRMISHING WAS TAKING PLACE ON BORDER AREAS AND TENSION WERE HIGH.

11. D. ARAB/EGYPTIAN RELATIONS

AGREEMENT BY EGYPT, SYRIA AND SAUDI ARABIA TO COOPERATE WITH
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SECRET

PAGE 04 CAIRO 10984 02 OF 03 011330Z

US APPROACH TO PEACE, FIRST FORGED IN RIYADH LAST OCT, CONTINUES IN BEING, THOUGH EGYPT CONCERNED SYRIAN APPROACH TO NEGOTIATIONS SHOULD BE MORE FLEXIBLE, SUSPECTS SYRIAN PLOT STAY IN LEBANON AND TAKE OVER FATAH, AND BRIDLES AT PUTATIVE USG PERCEPTION THAT ASAD IS KEY ARAB NEGOTIATOR. NEVERTHELESS, WITH EXCEPTION ARAB MEPC DEL PROBLEM, SADAT INSISTS HE CAN PROVIDE ARAB CONSENSUS ON MEPC NEGOTIATING POSITION. HE HAS PLEDGED VERBAL RESTRAINT DURING THIS CRITICAL PERIOD, AND PUBLICLY CORRECTED FAHMY WHEN LATTER BRANDISHED OIL WEAPON DURING FAHD VISIT TO WASHINGTON ("THREATS ARE OUT OF ORDER" DURING PREACE PROCESS). EGYPTIANS CONTINUE ARGUE FORCEFULLY THAT USG/PLO DIALOGUE NECESSARY TO ENCOURAGE MODERATE PALESTINIANS TAKE RISKS.

12. E. RELATIONS WITH EUROPE AND OTHERS

WESTERN EUROPEANS CONTINUE IMPORTANT TO EGYPT AS SOURCE ECONOMIC ASSISTANCE (DM 250 MILLION FROM FRG ANNOUNCED APRIL 1) AND MILITARY EQUIPMENT (UK STILL LEADS FRANCE). POLITICALLY, MFA CONTINUED PRESS EUROPEANS TO PUSH USG FASTER AND FURTHER ON PEACE SETTLEMENT TRAIL. FAHMY ORDERED OFFICIAL DEMARCHES IN LATE JUNE TO EC CAPITALS ASKING FOR PUBLIC EC STATEMENT EMPHASIZING PALESTINIAN RIGHTS AND WAS PLEASED WITH STATEMENT MADE JUNE 29, ESPECIALLY REFERENCE TO NEED FOR PALESTINIAN HOMELAND.

PART II: INTERNAL

13. QUARTER SAW ESTABLISHMENT OF NEW DESCRIPTIVE MOTTO FOR SADAT'S EGYPT: "DEMOCRATIC SOCIALISM BASED ON A STATE OF INSTITUTIONS." DESPITE NASSER EXPERIENCE, SADAT ARGUES, SOCIALISM AND DEMOCRACY ARE COMPATIBLE. SELF-DISCIPLINE,

SENSE OF INDIVIDUAL RESPONSIBILITY AND RESPECT FOR THE LAW
BY BOTH CITIZEN AND SECURITY OFFICER CAN MOLD SOCIETY IN
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PAGE 05 CAIRO 10984 02 OF 03 011330Z

WHICH EACH EGYPTIAN IS ACTIVE "HUMAN" PARTICIPANT, RATHER
THAN COG IN AN INDUSTRIALIZATION MACHINE. WITH SADAT'S SELF-
CONFIDENCE RESTORED AFTER JAN RIOTS, HE HAS INSITED ASSEMBLY
CONCLUDE DEBATE BY AUTUMN ON LEGISLATIVE FRAMEWORK FOR
"STATE OF INSTITUTIONS" (IE., PARTY, PRESS, HOUSING, IN-
VESTMENT AND TAX LAWS).

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PAGE 01 CAIRO 10984 03 OF 03 011242Z
ACTION SS-25

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SECRET SECTION 3 OF 3 CAIRO 10984

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14. A. POLITICAL

WHILE JANUARY RIOTS HAD ALARMINGLY EXPOSED ABILITY OF
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PAGE 02 CAIRO 10984 03 OF 03 011242Z

COVERT LEFT EXPLOIT WIDESPREAD ECONOMIC DEPRIVATION AND
HAD INITIALLY LEFT SDAT SOMEWHAT SHAKEN, HE HAS PROCEEDED
RESOLUTELY WITH HIS PLANS TO LIBERALIZE POLITICAL SYSTEM.
HOWEVER, THOUGH HE PROUDLY OBSERVED TO MANY AUDIENCES
HE HAD REFUSED RETURN TO NASSERIST POLICE MEASURES
(MILITARY COURTS, DETENTION WITHOUT CHARGE, AND THE LIKE),
PRESIDENT DEFINITELY LOWERED HIS POLITICAL SIGHTS DURING
THE QUARTER. PRIOR TO RIOTS, POLITICIANS, INCLUDING
RE-REVOLUTIONARY WAFD LEADERS, BELIEVED GOE'S POLITICAL
PARTY BILL WOULD ALLOW FORMATION OF PARTIES OFFERING
MEASURABLE ALTERNATIVES TO GOE PROGRAM. IN FACT, BILL
INTRODUCED AND PASS JUNE 18 ALLOWS SUCH ACTIVITIES IN
THEORY, BUT A CREDENTIALS COMMITTEE PROCEDURE ENSURES
GOE VETO. UNEXPECTED PUBLIC ATTACK BY SADAT ON "FEUDALIST/
CAPITLAIST" WAFD "PASHAS" DURING ASSEMBLY DEBATE SUGGESTS
WAFD NEED NOT APPLY. SADAT WAS PERHAPS SURPRISED BY
NATIONAL INTEREST AROUSED BOTH BY RETURN OF OLD PRE-
REVOLUTIONARY HEROS TO PUBLIC SCENE AND BY THEIR APPARENT
ENDURING POPULARITY. ON THE OTHER END POLITICAL SCALE,
IKHWAN CONTINUES GROW; COPTIC COMMUNITY BEGINNING TO
BE CONCERNED AND SOME PROMINENT MUSLIMS QUESTION GOE'S
JUDGEMENT THAT EXTREME ISLAM CAN BE EASILY CONTROLLED.
PRESS LAW WHICH STILL TO COME COULD INSTITUTIONALIZE
GREATER DEMOCRACY BY PERMITTING UNCENSORED PARTY NEWS-
LETTERS. PRESENT DRAFT, HOWEVER, ALSO CONTAINS RETROGRESSIVE
CLAUSE (SOME CALL IT "GET HAYKAL" MEASURE) DEFINING
ATTACKS ON GOE ABROAD AS TREASON.

15. OVERVIEW OF QUARTER SHOWS SADAT'S DETERMINATION
MOVE FORWARD, BUT CAUTIOUSLY. IMAGE OF STERN BUT JUST
AND MERCIFUL REGIME REINFORCED BY SENTENCING IN INITIAL
RIOT TRIALS; " PARTICIPANTS" IN RITOS FOR MOST PART
ACQUAIIITED, BUT SENTENCING OF THOSE INDICATED FOR MEMBER-
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PAGE 03 CAIRO 10984 03 OF 03 011242Z

SHIP IN COMMUNIST ORGANIZATION EXPECTED BE MUCH TOUGHER.

16. ECONOMIC

IN LAST QUARTER, WE OBSERVED JANUARY RIOTS HAD ENGENDERED MORE ACUTE APPRECIATION SOCIO-POLITICAL RESTRAINTS ON ECONOMIC REFORM, AND WE RECORDED OUR CONCERN THAT GOE LIKELY REACT BY INSTITUTING LEGISLATIVE PALLIATIVES RATHER THAN MAKING REQUISITE HARD ECONOMIC DECISIONS ON, E.G., SUBSIDIES, BUDGET AND DEVELOPMENTAL PRIORITIES.

17. IN MAY AND JUNE, HOWEVER, SADAT FOR FIRST TIME WENT ALL OUT TO DRAMATIZE HIS PERSONAL COMMITMENT TO GENUINE ECONOMIC DEVELOPMENT AND REFORM. HE DECREED AN "ADMINISTRATIVE REVOLUTION", DELIVERED IMPLEMENTORY CABINET DIRECTIVES FORCEFULLY AND IN PUBLIC, AND CARRIED HIS MESSAGE PERSONALLY TO IMPORTANT CANAL AREA AS WELL AS TO RURAL AND URBAN PROJECT SITES. PRIMIN THEN TOOK UP CAMPAIGN AND AT QUARTER'S END WAS STILL PREACHING WONDERS OF HARD WORK, INCENTIVES TO RAISE PRODUCTION AND NECESSITY TO MOVE ECONOMIC REFORM FORWARD. BY CUTTING SUBSIDIES TO (PUBLIC SECTOR) PHARMACEUTICAL COMPANIES, THEN RAISING PRICES ON MOST MEDICINE, GOE SET UP TEST TO MEASURE PARAMETERS PUBLIC READINESS ACCEPT HIGHER PRICES IN A SMALL BUT KEY SECTOR. PARLIAMENTARY OUTCRY GREETED MINHEALTH'S DECISION, BUT GOE STILL SOLDIERING ON AT END OF QUARTER. TAX AND HOUSING BILLS ALSO STILL BEING DEBATED, THOUGH GOE BACKTRACKED SOMEWHAT ON TAX REFORM WHEN ASSEMBLY RETRACTED (AT LEAST FOR NOW) WEALTH DISCLOSURE REQUIREMENT IN FEBRUARY SADAT DECREE. LONG DEBATED REVISIONS TO FOREIGN INVESTMENT LAW BECAME LAW IN EARLY JUNE. (IMPLEMENTING REGULATIONS ARE EXPECTED TO BE PUBLISHED ONLY LATER, HOWEVER.) PROVISIONS OF NEW LEGISLATION PROBABLY WILL MEET MANY OF CONCERNS OF POTENTIAL INVESTORS, ALTHOUGH THEIR PRACTICAL EFFECT ON BUSINESS CLIMATE WILL NOT BE APPARENT FOR SOME TIME TO
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PAGE 04 CAIRO 10984 03 OF 03 011242Z

COME.

18. COMPLETION OF \$1.475 BILLION GODE LOAN, SAUDI AND KUWAITI DEFERMENT REPAYMENT PRINCIPAL AND INTEREST, AND OUR OWN ASSISTANCE EFFORTS SHOULD ENSURE GOE ABILITY MEET CURRENT FINANCIAL OBLIGATIONS THROUGH 1977 AND BEGIN PLANNING FOR MEETING NEXT YEAR'S REQUIREMENTS. NOT UNEXPECTEDLY, SOME MINISTERS ARE SEEKING INCREASES IN BUDGETING ALLOCATIONS, BUT KAISOUNI IS RESISTING SUCH DEMANDS. FIRST IBRD CONSULTATIVE GROUP MEETING TOOK

PLACE IN MAY AND HAS FOR FIRST TIME INSTITUTIONALIZED
DONOR EFFORTS.

19. IN SUM, WHILE QUARTER SAW SADAT MOVE PERSONALLY INTO
ECONOMIC REALM IN HOPE FALVANIZING REFORM, IT IMPORTANT
RECALL HE PERCEIVES ALL PUBLIC ISSUES IN POLITICAL
TERMS. IF CONFRONTED WITH POLICY PROBLEM INVOLVING
CONFLICTING POLITICAL FACTORS (WHICH HE UNDERSTANDS)
AND ECONOMIC CONSIDERATIONS (WHICH HE DOES NOT),
HIS DECISION LIKELY BE INFLUENCED BY THE POLITICAL
CONSEERATIONS. WE MUST HOPE THAT SUCH SHARP DILEMNAS
DO NOT OCCUR TOO OFTEN.

20. CONCLUSION

EGYPTIAN PREOCCUPATION DURING QUARTER HAS BEEN WITH
PEACE PROCESS. GOE AND PRESS HAVE BEEN RESOLUTELY
UPBEAT ON PROSPECTS FOR DECLARED GOAL OF MEPC IN THE FALL.
DEEPLY CONCERNED THAT USSR INCORRIGIBLY HOSTILE
TO HIM PERSONALLY, SADAT NEVERTHELESS WILLING LET FAHMY
GO TO MOSCOW, CHIEFLY BECAUSE HE THOUGH USG JUDGED PEACE
PROCESS MIGHT THEREBY BE ASSISTED. SADAT WILL CONTINUE
OPENLY CONFIDENT OF US RESOLUTION AND GOOD WILL, BUT,
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SECRET

PAGE 05 CAIRO 10984 03 OF 03 011242Z

LIKE MOST EGYPTIANS, WILL RESENT ANY SUGGESTION THAT
HIS CARDS-ON-THE-TABLE-STYLE IS VIEWED AS CLIENTISM OR
THAT ASAD'S RELATIVE ELUSIVENESS BEING ADMIRER AS
EXEMPLARY TOUGHMINDNESS.
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Message Attributes

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